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OFFICE OF THE COUNTY AUDITOR INTEROFFICE MEMORANDUM

TO: All Council Members
FROM: Lauren M. Smelkinson, County Auditor
DATE: March 11, 2014
SUBJECT: Addendum to Council Meeting Notes

Please find attached an addendum for FM-4, 5 and 6 to the Council Meeting Notes issued March 6, 2014.

This item will be discussed at the March 11, 2014 work session for the March 17, 2014 Council meeting.

Attachment

cc: notes distribution list

FM-4, 5, & 6 (Amended Agreements)**Council District(s) 4**

Department of Permits, Approvals and Inspections

Amended Agreements – Metro Centre at Owings Mills

The Administration is requesting approval of amendments to three agreements related to the Metro Centre at Owings Mills project: the second amendment to the Master Development Agreement (MDA); the first amendment to the Parking Facilities Operating Agreement (PFOA); and the second amendment to the Garage Project and Infrastructure Grant Agreement. The second amendment to the MDA (FM-4) establishes that the second garage (Garage #2) to be developed will be financed, in part, by the use of tax increment financing (TIF) bonds to be issued by the Maryland Economic Development Corporation (MEDCO) and provides for changes to the project's timeframes as well as references an updated development plan. The first amendment to the PFOA (FM-5) adds the developer of Garage #2 and MEDCO as parties to the agreement and amends certain minimum parking requirements. The second amendment to the Garage Project and Infrastructure Grant Agreement (FM-6) provides retroactively for the release of the remaining \$6,926,000 in County grant funds to Owings Mills Transit, LLC (OMT).

Fiscal Summary

These amendments primarily concern Garage #2. Estimates for the property tax forgiveness related to individual parcels of the development – such as the Garage #2 property – are unavailable. Because the proposed amendments formally arrange for MEDCO to assume the long-term leasing of the Garage #2 property, the property will be tax-exempt. The proposed amendments also arrange for the TIF bond financing of the Garage #2 project; the amount of TIF bonds issued for the project at large affects the County's General Fund in the long term (the more TIF bonds issued, the longer time before the County's General Fund will receive property tax revenue from the development). The amendment to the grant agreement also retroactively authorizes the release of \$6,926,000 in County funds to the developer; the Council appropriated these funds as part of Bill 1-13. The Administration advised that there is no fiscal impact directly related to these amendments; the County contribution for the parking garages remains \$13.1 million.

Analysis

The MDA executed as of September 1, 2005 between the MTA, the County, and OMT provides the basic framework of the public/private partnership to develop the transit-oriented development at the site of the Owings Mills Metro Station, now known as the Metro Centre at Owings Mills. The MDA was first amended in July 2011 to reflect a switch in the location of two garages, establish new schedules for the commencement and completion of various aspects of the development, and provide for the revision of the Garage Project and Infrastructure Grant Agreement. Under the proposed second amendment, the first private development phase, which commenced on August 1, 2012, is redefined and required to be completed by December 31, 2016. In addition, all phases of private development must be completed by July 31, 2037. The second amendment also outlines the proposed development process for Garage #2, specifying that OMT will sublease the ground to its affiliate, which will develop the garage using the proceeds of TIF bonds issued by MEDCO. Finally, the second amendment references an updated development plan, provides new standards for development review approvals by the State, permits OMT to enter into phase ground leases, and clarifies other provisions related to subleases and phase ground leases.

The PFOA, also executed as of September 1, 2005, establishes the terms for the use and operation of the shared parking facilities and provides minimum parking requirements for both County users and MTA users. The proposed first amendment reflects the fact that the developer of Garage #2, a subsidiary of OMT, will obtain the proceeds of TIF bonds issued by MEDCO to finance the development of Garage #2. The amendment also revises the minimum parking requirements for both MTA users and County users, including requirements for the 2,865-space Garage #1, which has been completed, the 2,089 spaces in Garage #2, which will be completed by December 31, 2014, and future parking facilities that have yet to be constructed. Specifically, the amendment details parking requirements for MTA users on the development's "North Parcel," which will be developed as one of the final development phases, and reduces the number of spaces in Garage #2 reserved for Library patrons from 145 to 75. These revised requirements are based on a parking study prepared by Traffic Concepts, Inc. as of February 14, 2014.

The Garage Project and Infrastructure Grant Agreement establishes the terms of the State and County funding commitments for the development's infrastructure and garages. The agreement was first amended in July 2011, in conjunction with the first amendment to the MDA, to reflect a change in the timing of State/County contributions as well as to revise the schedules for the commencement and completion of various aspects of the development. The proposed second amendment provides for the retroactive release of the remaining \$6,926,000 in County grant funds to OMT. The Administration advised that this funding, which serves as a reimbursement

for a portion of the costs incurred by OMT in the development of the garages and other infrastructure, has already been delivered by the County to the developer. The amendment states that following the release of these remaining grant funds, neither the State nor the County has any further obligation to provide funds to OMT, or any affiliate of OMT, under the MDA.